


## Case study 8: Public transport (Estonia)

### Description of the policy instrument


In 2013, Estonia's capital Tallinn, which has just over 400,000 inhabitants, became one of the first cities in the world, and the first capital, to make public transport free, following a successful 2012 referendum.<sup>212</sup> Subsequently, most Estonian counties (11 out of 15) followed suit, making public transport free in most parts of the country.

The initiative had a dual objective: to tackle climate change and support low-income households. The Estonian economy was badly hit during the 2008 financial crisis, leaving many low-income households unable to afford transport. While Tallinn has been committed to fighting climate change, the use of public transport was falling. The removal of fares was intended to reverse the trend of increasing private car use by incentivising car users to switch to public transport.<sup>213</sup>

### Why did it work or not work?

 The Estonian initiative has not been regarded as a resounding success, with some of the results being slightly contradictory, thus making it difficult to estimate the environmental/climate impact of the policy. The share of commuters on public transport declined by 2 per cent between 2014 and 2019, indicating that the removal of fees slowed the shift away from public transport. However, the policy was not effective in reducing private car use. Although this declined by 5 per cent during the first year of free public transport, the average distance driven by car rose, resulting in a total of 31 per cent additional vehicle kilometres travelled.<sup>214,215,216</sup>

The small rise in the number of journeys using public transport and average distance travelled primarily came from an increased use of public transport by those who were already using it. This was mainly driven by changes in the use of public transport to go shopping and visit leisure facilities. As such, it may have helped reduce affordability constraints among the lowest income households.

 Despite the policy failing to achieve its original objectives, public acceptance of free public transport in Tallinn was high one year after its introduction.<sup>217</sup> Yet car traffic continued to increase, while rates of walking fell, possibly due to lower income consumers opting for public transport rather than active transport to improve speed and convenience. This may have improved the opportunities for low-income and unemployed social groups, however there are no studies to corroborate this.

The modest impacts associated with the removal of public transport fees in Tallinn have been attributed to several factors. Firstly, the share of public transport was already high in Tallinn when the policy was first introduced (55 per cent in 2012, up to 63 per cent in 2013). Secondly, prior to the introduction of free public transport, it was already fairly affordable, and the service provision was considered good.<sup>218</sup> Thirdly, the removal of fees was not accompanied by improved transport services in 'pockets' that were not adequately serviced by public transport. Lastly, buses in low-density areas are slow and the travel times long, meaning that the removal of fees may not have offered a sufficient incentive to instigate a greater shift in these areas.

### Key learnings

The main underlying factor explaining the modest success in Estonia is that regular bus lines do not fully meet consumers' needs, so a financial incentive alone is not sufficient to incentivise a large-scale shift away from private car use. In low-density areas, demand could be boosted through the provision of flexible alternative options, such as transport based on demand. The lack of a clear policy environment, different bus route ownership structures and municipal subsidy arrangements, across the country, have also caused an unfair burden on some municipalities' budgets to finance free public transport.<sup>219,\*</sup>

However, free public transport seems to be an attractive opportunity to fight climate change and the Estonian example suggests that acceptance can be high. However, cultural factors and the prestige attached to private car ownership may disincentivise people who can afford to drive from not doing so. Moreover, removal of the costs associated with public transport does not automatically increase its attractiveness in areas that are poorly serviced. Finally, the subsidy system may present high costs to local authorities in areas that are sparsely populated.

A clear and enabling policy environment, the design of routes based on users' needs and the possibility to increase the share of public transport are all necessary to successfully incentivise a large-scale shift from private car use. Better results could also potentially be achieved if the removal of public transport fees was accompanied by financial penalties associated with private car use, however these would likely be met by opposition (as discussed in Section 1.1).

\*For example, some local governments, such as Tartu, do not subsidise public transport centres, while other counties do (the top of the range is Northern Estonia at EUR 630,000 in 2019). State support also varies across the country, between 0.83 and 1.31 EUR/line km (ERR News 2021).